

CITY OF PIERSON, IOWA
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2015 THROUGH JUNE 30, 2016

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Officials

Name	Title	Term Expires
Officials		
(Before January, 2016)		
Thomas Hardie	Mayor	December, 2015
Carman Walden	Council Member	December, 2015
Joel McQueen	Council Member	December, 2015
Danny Saxen	Council Member	December, 2017
Krystal Kauffman-Smith	Council Member	December, 2015
Doyle Struve	Council Member	December, 2017
Jeanette Beekman	City Clerk/Treasurer	Indefinite
(After January, 2016)		
Thomas Hardie	Mayor	December, 2017
Marvin Swanson	Council Member	December, 2019
Joel McQueen	Council Member	December, 2019
Danny Saxen	Council Member	December, 2017
Krystal Kauffman-Smith	Council Member	December, 2019
Doyle Struve	Council Member	December, 2017
Jeanette Beekman	City Clerk/Treasurer	Indefinite

Independent Accountant's Report on Applying Agreed-Upon Procedures —

To the Honorable Mayor and
Members of the City Council
City of Pierson, Iowa

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Pierson for the period July 1, 2015 through June 30, 2016. The City of Pierson's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's (CFC) recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2015 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.

7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
9. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and repayments were properly accounted for.
10. We reviewed and tested selected receipts for accurate accounting and consistency with the CFC recommended COA.
11. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the CFC recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
12. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
13. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of noncompliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an audit of the City of Pierson, the objective of which is the expression of opinions on the City's financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of Pierson, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Pierson and other parties to whom the City of Pierson may report. This report is not intended to be and should not be used by anyone other than these specified parties.

HOGAN - HANSEN

HOGAN - HANSEN

Traer, Iowa
October 12, 2016

Detailed Recommendations

Detailed Recommendations

For the Period July 1, 2015 through June 30, 2016

(A) **Segregation of Duties** - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Accounting system - performing all general accounting functions, including journal entries and having custody of assets.
- (2) Cash - handling, reconciling and recording.
- (3) Investing - recordkeeping, investing, custody of investments and reconciling earnings.
- (4) Receipts - opening mail, collecting, depositing, journalizing, reconciling and posting.
- (5) Utilities - billing, collecting, depositing, posting, entering rates into the system and maintaining detailed accounts receivable and write-off records.
- (6) Debt - recordkeeping, compliance and debt payment processing.
- (7) Journal entries - preparing and journalizing.
- (8) Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (9) Payroll - entering rates into the system, recordkeeping, preparing, signing and distributing.
- (10) Computer system - performing all general accounting functions and controlling all data input and output.
- (11) Financial reporting - preparing and reconciling.

Recommendation - We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations and journal entries should be evidenced by the signature or initials of the reviewer and the date of the review.

(B) **Chart of Accounts** - The City has not fully implemented the City Finance Committee's (CFC) recommended Uniform Chart of Accounts (COA) for Iowa City Governments approved by the CFC on September 25, 2002.

Recommendation - To provide better financial information and control, the recommended COA, or its equivalent, should be followed.

Detailed Recommendations

For the Period July 1, 2015 through June 30, 2016

- (C) **Bank Reconciliations** - The cash balances in the City's general ledger were reconciled to bank account balances throughout the year. However, no independent review of the bank reconciliations was performed. We also noted that investments are not being reconciled timely because interest is not recorded in the month received.

Recommendation - An independent person should review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations. Investments should also be reconciled, and interest should be recorded in the month it is received.

- (D) **Depository Resolution** - A resolution naming the official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Recommendation - A resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the City Council.

- (E) **Disbursements** - The City Council approves disbursements at each monthly meeting after the invoices have been paid.

Recommendation - All City disbursements should be approved by the City Council prior to disbursement with the exception of those specifically allowed by a written policy. For those disbursements paid prior to City Council approval, a listing should be provided to City Council at the next meeting for review and approval.

- (F) **Payroll** - Wage increases were approved by the City Council as a percentage increase and not stated as an hourly rate or salary.

Recommendation - The City Council should approve wage increases as an hourly rate or salary and not just as a percentage.

- (G) **Annual Financial Report (AFR)** - Chapter 384.22 of the Code of Iowa requires that the City's AFR contain a "summary for the preceding fiscal year of all collections and receipts, all accounts due to the City, and all expenditures..." The City's AFR included receipts and disbursements which do not agree with the amounts recorded in the City's general ledger.

Recommendation - The City should ensure that the receipts and disbursements included in future AFRs are supported by the amounts recorded in the City's general ledger.

- (H) **City Council Minutes** - Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings include a summary of receipts. Chapter 21.3 of the Code of Iowa requires the minutes to show the results of each vote taken and information sufficient to indicate the vote of each member present. Selected meeting minutes which we tested did not include this information.

Recommendation - The City should comply with the Code of Iowa and publish all required information. The published minutes should include a summary of receipts and information sufficient to indicate the vote of each member present.

Detailed Recommendations

For the Period July 1, 2015 through June 30, 2016

- (I) **City Clerk's Report** - The City Clerk's report provided to the City Council should include receipts, disbursements, transfers and balances for each fund and in total. City Clerk reports selected during our examination did not include all of this information.

Recommendation - The City should ensure that the City Clerk's report contains all required information.

- (J) **IRS Code Section 148 Compliance** - The City does not have written procedures to monitor compliance with arbitrage, yield restrictions and rebate requirements.

Recommendation - The City should establish written procedures to monitor compliance with the arbitrage, yield restrictions and rebate requirements under Section 148 of the Internal Revenue Code.

- (K) **Utility Accounts** - Utility accounts are due on the 20th day of each month. During our testing, we noted one instance where a City official had an outstanding balance and no finance charge was assessed.

Recommendation - City officials should be assessed a finance charge when their accounts are overdue.

- (L) **Petty Cash** - The City's petty cash funds were not included in the City's general ledger and resulting fund balances.

Recommendation - Chapter 384.20 of the Code of Iowa states, in part, "A City shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any City purpose." For better accountability, financial and budgetary control, the financial activity and balances of all City funds and accounts, including petty cash, should be included in the City Clerk's accounting system.